



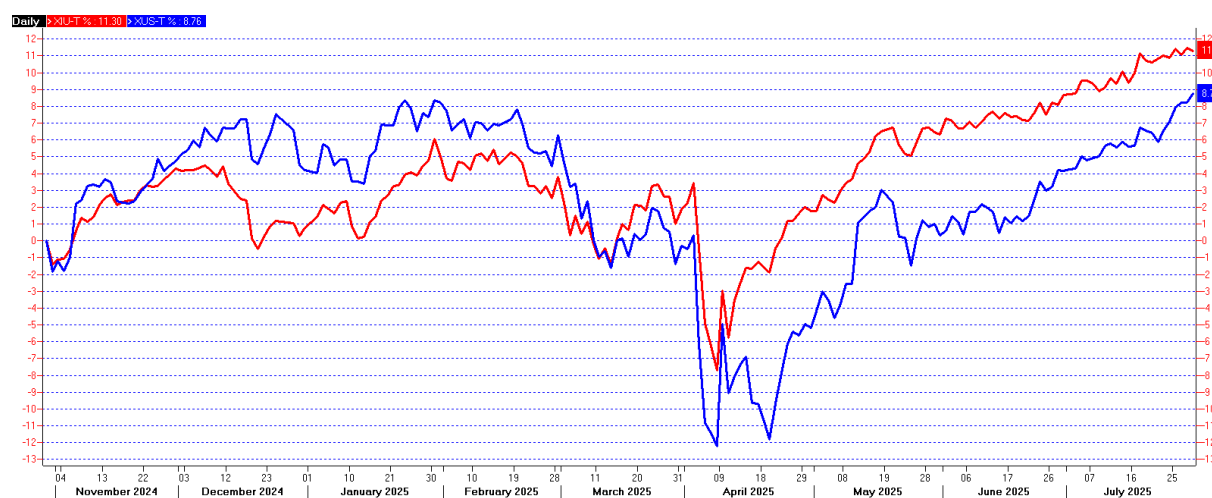
## WEEKEND READING

Shedding the light on what's happening - our world - our finances - our times

### It's not as bad as we thought, nor good as we hoped.

We're on record advising broad tariffs are a dumb way to fund government revenues and a worse way to 'protect' industries/execute industrial policy. This is particularly true for the US. With that caveat, two weeks ago we led off with the headline **'It's not as bad as you think'** advising not getting too excited about Trump's tariff impact on the US economy. We've noted while US total international trade represents roughly ¼ of US GDP, imports of goods and services represent 14% of trade. Factoring out energy (7% of GDP) and 'services' leaves a factor below 7% of US GDP. Assuming 100% reciprocal tariffs on US goods exports (which never happens) we're back up to around 11% of GDP. Applying a tariff cost of 15% on 11% of GDP equals an inflation effect of maybe 1.6%. Not great but not a disaster either. Investors agreed driving the S&P500 and the equity market of the US largest trading partner Canada TSX Composite to record highs from the Trump election Nov/2024.

### TSX \$C ETF (XIU-red +11.3%) SP500 \$C ETF (blue +8.76%) % chg Nov/2024



Source: LSEG, NBF, Hilberry

We since advised we remain long and nervous, the latter being a good thing (you don't want your portfolio manager basking in confidence). Trade deals have started to land in the media.

### **Hanwha Philly to build first US LNG carrier in nearly 50 years**

Analysts calculate of US building costs of this carrier will be 4 X the equivalent built at Hanwha's Korean shipyards. We are cautious on predictions of a 'golden era' for US shipbuilding.

<https://www.offshore-energy.biz/hanwha-philly-to-build-first-us-lng-carrier-in-nearly-50-years/>

### **The details of Trump's trade deal with the EU – Globe & Mail July 28, 2025**

<https://www.theglobeandmail.com/business/article-us-eu-trade-deal-tariffs-goods-trump-van-der-leyn/>

The Trump Administration has based tariff policy on trade in 'Goods' (things in a box) while ignoring 'Services' (music, entertainment, travel, knowledge, data). Excluding 'Services' (think Google searches, Facebook, Amazon, Disney movies) the EU has a 198 billion EURO trade surplus with the US. Factoring all trade the EU has a modest 3% 'surplus with the US. From a trade perspective this 'deficit' is a meaningless rounding error, will have zero impact on either nation's economic health.

The Trump Administration appears to see tariffs as both an important form of revenue for the US Federal Government (IE taxation) and an effective tool in executing industrial policy. They are neither. Mr. Trump has claimed tariffs will be paid by the exporter to the US and will induce additional investment into the US that would not have happened without tariffs. History has repeatedly disabused this notion. We believe once the full impact of tariffs are felt by US consumer pocketbooks, US politicians will be forced to change course. Walmart will not be selling Big Screen TVs manufactured in Ohio. They will continue to sell TVs manufactured offshore. The cost will rise. Walmart can't afford to absorb those costs. US consumers will, as always, pay the cost.

This week the Trump Administration crowed about an EU/US trade deal that sees the US embedding 15% tariffs on all trade in 'goods'.

For more detail on the EU/US trade relationship go here

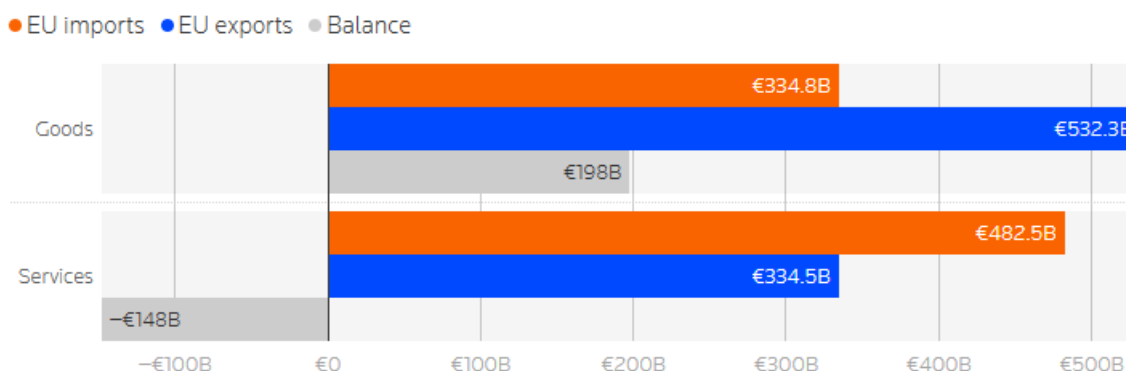
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A careful read of the EU deals reveals much political theater and fuzzy details.



## EU's lopsided Trump trade deal will be short-lived

### The EU has a trade surplus with the US in goods, but a deficit in services



Note: 2024 data

Source: European Commission | A. F. Alias | July 14, 2025

Reuters Breakingviews

Link: [EU's lopsided Trump trade deal will be short-lived](#)

The EU/US trade deal included a provision for Europe to expand purchases of US energy. The deal states the EU will purchase \$250 billion worth of US energy products per year over the next three years (a suspiciously round number) and invest \$600 billion in the US. We're having trouble with the math. These figures show political play acting.

### E.U.'s \$250 billion-per-year spending on U.S. energy is unrealistic – NBC News

*BRUSSELS — The European Union's pledge to buy \$250 billion of U.S. energy supplies per year is unrealistic because it would require the redirection of most U.S. energy exports towards Europe and the EU has little control over the energy its companies import.*

*The U.S. and EU struck a framework trade deal on Sunday, which will impose 15% U.S. tariffs on most EU goods. The deal included a pledge for the EU to spend \$250 billion annually on U.S. energy — imports of oil, liquefied natural gas and nuclear technology — for the next three years.*

*Total U.S. energy exports to all buyers worldwide in 2024 amounted to \$318 billion, U.S. Energy Information Administration data showed. Of that, the EU imported a combined \$76 billion of U.S. petroleum, LNG and solid fuels such as coal in 2024, according to Reuters' calculation based on Eurostat data.*

*More than tripling those imports was unrealistic, analysts said.*

Link: [E.U.'s \\$250 billion-per-year spending on U.S. energy is unrealistic - NBC](#)



**DOING THE MATH:** The \$250 billion USD US/EU energy deal annual (\$750 billion USD total) equates to \$344 billion Canadian per year. The total = **\$1.02 Trillion CDN**. Canada's GDP in 2024 was \$3.07 trillion CDN. I wonder what increasing Canada's GDP by \$344 billion/8% per year for the next three years would do for the country? If Canada had grasped the EU opportunity, diversifying from the US, how would that have impacted Canada's bargaining position with President Trump's tariff fantasies?

With those caveats we return to Canada's Federal Govt energy export policies (sigh).

**'HEY GOVERNMENT OF CANADA! – It Turns Out That There is a HUGE Business Case for Exporting LNG to Europe' – Geoff Russ/Energy Now Media July 29, 2025**

*The EU-US trade deal includes provisions for American energy exports, including LNG that Canada could have supplied. It must not make the same mistakes in the Pacific.*

*"The trade deal signed between the European Union and the United States is a slap in the face for Canadian energy. American oil, natural gas, and even nuclear fuel are now slated to flow across the Atlantic to European buyers, as the bloc pushes to fully wean itself off Russian energy.*

*It should have been Canadian liquefied natural gas (LNG) from the Atlantic coast.*

*Canada had every chance to build a thriving LNG industry on its East Coast. But short-sighted, hesitant government policy has consistently dismissed what has now proven to be a strong and viable business case.*

*The \$750 billion energy trade deal between the EU and the US shows how costly that's been.*

*Former Prime Minister Justin Trudeau repeatedly said Atlantic LNG was never economically viable. He famously told a 2022 press conference with German Chancellor Olaf Scholz that there's "never been a strong business case" for exporting Canadian LNG from the East Coast."*

Mark Carney's Government has committed to a different path. We are hopeful, but await the rubber hitting the road and shovels in the ground.

[There is a HUGE Business Case for Exporting LNG to Europe - G. Russ](#)

With the recent surge in Greed readings, we're dialing back our confidence. Signs of stress are showing up in the all-important US consumer (voters).

'Owner surrenders' of the family pet is a sign of economic duress.

**'A heartbreaking economic indicator: More people are giving up their pets' – CNN July 27, 2025**

[Heartbreaking economic indicator: More people are giving up their pets - CNN](#)



## 'US Fed Policy Monitor: Divided We Hold' \_NBF Economics July 30, 2025

"Questions in the press conference were wide-ranging, but tariff-related ones were well represented. Here, Powell noted that while headline inflation has been little changed this year, the composition has shifted as services decelerate, and tariffs push up some goods prices. He later attributed "3 or 4 tenths" of inflation to tariffs and they expect more of that ahead. Overall, the Fed Chair judges that it's still "early days" as far as learning about tariff impacts are concerned. To him, a reasonable base case is that these are one-time price effects, but they will have to "make sure" tariffs don't become ongoing inflation."

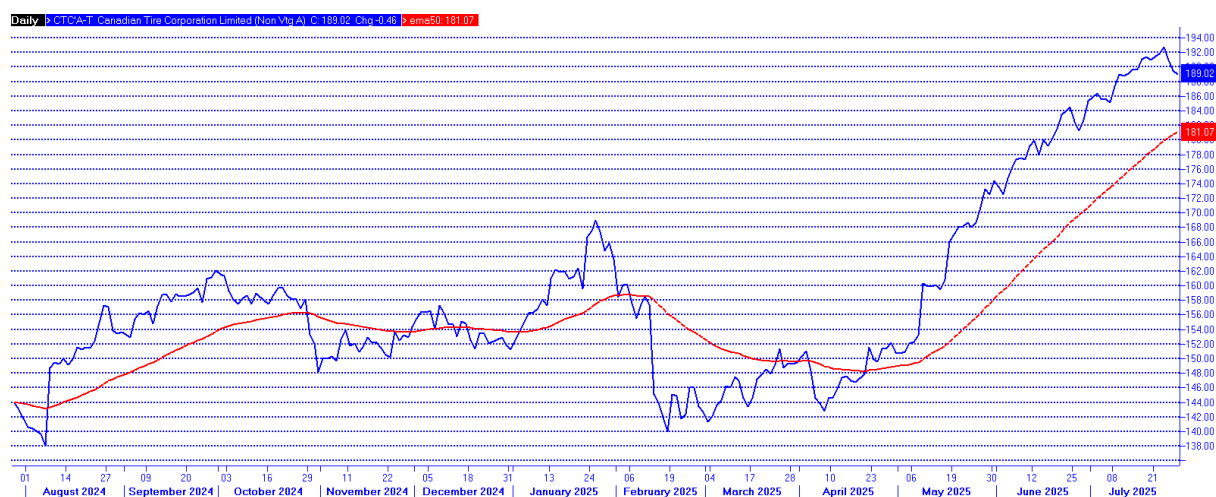
"When discussing slower GDP growth, Powell noted the wild swings in trade but emphasized that the consumer is still spending. More importantly, he stressed that GDP is not what they're primarily focused on. Their mandate variables are price stability and maximum employment... "not so much growth". Further out, Powell downplayed OBBB stimulus, saying it shouldn't be significant given that a large portion of it is making permanent existing tax policy. **We'd have to respectively disagree with the Chair on this as the non-TCJA extension stimulus represents nearly 1% of GD**

**FINANCE LINGO SPEAK TRANSLATION:** NBF thinks inflation may be an issue. We agree.

Full article link: [Fed Monitor: Divided We Hold - NBF](#)

Suddenly Canadian Tire is on fire.

### Canadian Tire Class A (CTC.A-TSX-\$189.02) 12 mos – daily: 28-Jul-2025



Source: LSEG, NBF, Hilberry

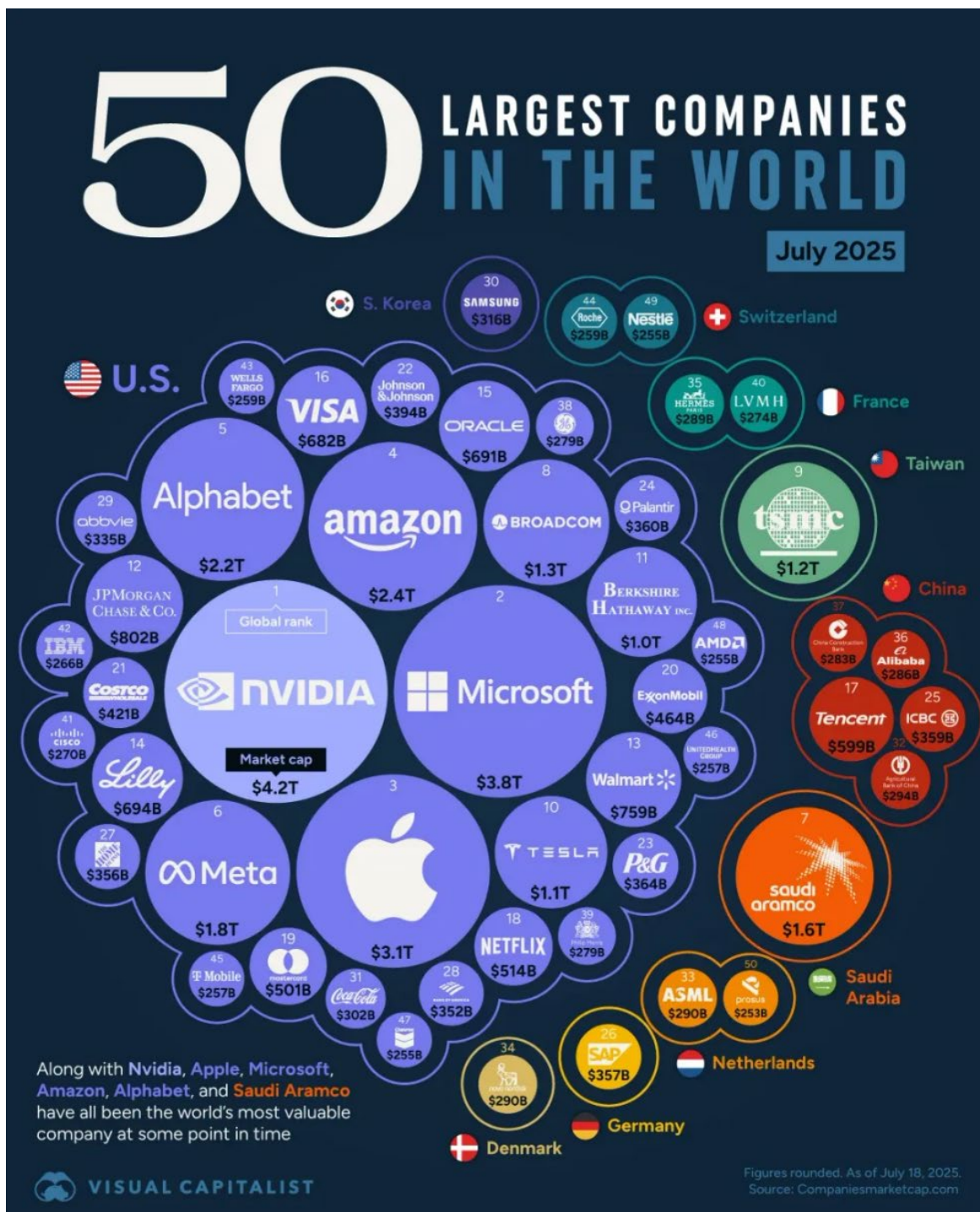
This month's market price highs are +39% from the February lows. One can attribute a reversal of excess pessimism, Canadian anger at Trump's 51'st comments generating 'Buy Canadian' and fundamental brand improvement has increased in-store and online traffic. NBF updated their opinion this week, hiking the price target 18% from \$173 to \$204. Given recent market price gains, NBF maintains a 'Sector Perform' rating (effectively 'Hold'). Note their comment regards the implications of decreased Canadian travel to the US and 'Buy Canada' muted by cautious consumers.



Link: [Canadian Tire - NBF target \\$204 update](#)

## Closing thoughts: Who's on First?

NOTE TO SELF: Despite the best efforts of elected officials, the USA continues to generate more new wealth for shareholders than the rest of the globe combined. Betting against the US economy continues to be a losing proposition.



Source: [Visual Capitalist](#)



This weekend I plan to sit on the back porch and play the banjo without my shoes.

The late JJ Cale explains...[JJ Cale: Clyde](#)

## Have a Great Long Weekend

Steve & Anna Hilberry



### FOR THE RECORD July 30 close

DOW INDUSTRIALS:	44,461
S&P 500:	6,362
S&P/TSX COMP:	27,369
WTI:	\$70.32
LOONIE IN \$USD:	\$0.7224 \$US

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